

Direct Testimony of David R. Stearns

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

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3 A. My name is David R. Stearns and my business address is the Division of Public Utilities
4 and Carriers ("Division"), 89 Jefferson Boulevard, Warwick, RI 02888.

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6 Q. WHAT IS YOUR POSITION AT THE DIVISION?

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8 A. I am a Public Utilities Analyst V for the Division. I have been employed in this position
9 since June of 2001.

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11 Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.

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13 A. I graduated from Bryant College of Business Administration in 1978 with a Bachelor of
14 Science degree in Business Administration, with a major concentration in Accounting. I
15 have also completed several continuing professional educational courses in the areas of
16 utility accounting and ratemaking.

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18 Q. PLEASE DESCRIBE YOUR EMPLOYMENT BACKGROUND.

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20 A. Prior to accepting my current position with the Division in June 2001, I had been
21 employed with EUA Service Corporation since 1967, my most recent position being
22 Senior Rate Analyst. EUA Service Corporation, prior to its merger with National Grid
23 USA, provided accounting, engineering, ratemaking, and information services to three
24 retail electric utility companies, two located in Rhode Island and one in Massachusetts.

25

26 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE RHODE ISLAND PUBLIC
27 UTILITIES COMMISSION (PUC)?

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29 A. Yes, I have testified in various dockets on behalf of the former Blackstone Valley Electric
30 Company and Newport Electric Corporation.

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1 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

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3 A. The purpose of my testimony is to address the Narragansett Bay Commission's ("NBC")
4 November 29, 2002 filing (RIPUC Docket No. 3483), specifically Schedule WEE-17.

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6 Q. PLEASE DESCRIBE SCHEDULE WEE-17 OF DOCKET 3483.

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8 A. Schedule WEE-17 ("WEE-17") is titled "Narragansett Bay Commission Expense
9 Analysis – Electricity (Acct. 54090)". WEE-17 presents NBC's calculation of its
10 requested electricity cost adjustment, the estimated increase in electricity costs during
11 fiscal 2004 ("rate year") compared with the actual electricity costs incurred during fiscal
12 2002 ("test year"). NBC has calculated rate year electricity cost of \$2,284,630. This
13 represents an increase of \$379,870 compared with the "Adjusted Test Year" cost of
14 \$1,904,759 shown on WEE-17. NBC seeks authorization to recover in rates an additional
15 \$379,870, their estimate of the additional rate year electricity costs.

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17 Q. DO YOU AGREE WITH NBC'S REVENUE REQUIREMENT FOR RECOVERY OF
18 ADDITIONAL RATE YEAR ELECTRICITY COST?

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20 A. No, I do not. During the test year NBC received credits from their energy supplier. Based
21 on my review of NBC's electricity costs, I am not convinced that these credits have been
22 correctly applied to energy costs. I am concerned that incorrect application may have
23 ultimately resulted in an overstatement of NBC's calculated average test year distribution
24 charge. If the test year distribution charge is overstated, it follows that the 2004 electric
25 rates used in WEE-17 are also overstated. By using the method presented on WEE-17,
26 NBC seems to be "backing into" the test year electricity cost. In addition, NBC offers no
27 supporting worksheets in the filing to justify what it refers to on WEE-17 as "Adjusted
28 Test Year" expense.

1 Q. WHAT CREDITS WOULD NBC HAVE RECEIVED FROM ITS ENERGY
2 SUPPLIER?

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4 A. NBC has been receiving its power from a competitive supplier for several years, under a
5 multi-year contract. NBC's current supply contract began January 1, 2003 at a rate of
6 \$0.04768 per kWh. NBC's prior power supply contract, which had been in place from at
7 least 2000 through 2002, had a rate of \$0.03800 per kWh in place for 2002. During the
8 period of this prior contract there were times, including during the test year, when the
9 supplier placed NBC's account on Narragansett Electric Company's Last Resort power
10 supply service. The supplier eventually credited NBC's account or paid NBC for the
11 difference between the Last Resort price and the supplier's contractual price with NBC.

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13 Q. WHY DID YOU HAVE A CONCERN THAT THE CREDITS MAY NOT HAVE
14 BEEN CORRECTLY APPLIED TO THE TEST YEAR ELECTRICITY COST?

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16 A. NBC basically backed into its test year average distribution cost per kWh. NBC then
17 added its 2004 contractual power supply rate of \$0.04768 per kWh to this calculated
18 average distribution (or non-power supply) rate. The calculated distribution rates appear
19 high, raising a concern that the extra cost associated with Last Resort service was not
20 appropriately backed out of the test year, and remained in NBC's calculated distribution
21 charge.

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23 Q. DO YOU HAVE AN ALTERNATIVE CALCULATION?

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25 A. I would use the following method, which is detailed on Exhibit DS-1:

- 26
27 1. In determining a forecast of rate year kilowatt-hour use, I find NBC's assumption
28 of the three-year average kilowatt-hour use from fiscal 2000 through fiscal 2002
29 by location reasonable, and I have utilized it for my calculation.
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2. To calculate the Rate year electricity expense, I have used the following procedure:

- I asked NBC to provide the test year detail of their cost for delivery of electricity from their electricity bills, and they have provided that information. This data, presented on Exhibit DS-2, formed the basis of my development of the average test year delivery cost by location. It is not anticipated that Narragansett's delivery price during the rate year will change, except for possible small changes in its transmission charge. It is reasonable, therefore, to use the test year per-kilowatt-hour delivery costs for my rate year calculations.
- Multiplying rate year kWh use by these delivery prices provides rate year delivery cost by location. Customer charges totaling \$11,630 during the test year are also included in the rate year delivery expense.
- NBC has stated that contracted supply cost during the rate year will be \$0.04768 per kilowatt-hour. Multiplying rate year kWh use by this supply cost results in rate year supply cost by location.
- Now I have delivery cost and supply cost, by location, for the rate year. The sum of these amounts, \$2,063,341, is NBC's rate year electricity expense.

Q. HOW DOES THE RESULT OF YOUR CALCULATION COMPARE WITH THAT PRESENTED ON SCHEDULE WEE-17?

A. The total rate year electricity cost presented on Schedule WEE-17 is \$2,284,630. As mentioned, my calculation results in total rate year electricity cost of \$2,063,341. My calculation results in rate year electricity cost that is \$221,289 less than that presented on Schedule WEE-17.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

STATE OF RI DIVISION OF PUBLIC UTILITIES AND CARRIERS
Narragansett Bay Commission - RIPUC Docket Number 3483
Rate Year 2004 Estimated Electricity Cost - Adjustment to Schedule WEE-17

RATE YEAR (F/Y 2004)

Line No.	Location	Delivery Cost	Est 2004 kWh in Filing	Delivery \$/kWh	Customer Charge	Total Delivery Cost 2004	Supply Cost \$/kWh 2004	Total Supply Cost 2004	Total Electricity Cost 2004	RIGRT	Total Incl. RIGRT	Line No.
	A	B	C	D	E	F	G	H	I	J	K	
		(C X D)	Schedule WEE-17	Exhibit DS-2	Exhibit DS-2	(B + E)	Per NBC	(C X G)	(F + H)	(K - I)	(I / .96)	
1	Field's Pt.	\$ 472,131	15,795,333	0.02989	\$ 2,837	\$ 474,968	0.04768	\$ 753,121	\$ 1,228,089	\$ 51,170	\$ 1,279,260	1
2	Bucklin Pt.	\$ 230,072	7,636,000	0.03013	\$ 2,846	\$ 232,918	0.04768	\$ 364,084	\$ 597,002	\$ 24,875	\$ 621,877	2
3	COB	\$ 36,255	905,867	0.04002	\$ 753	\$ 37,008	0.04768	\$ 43,192	\$ 80,200	\$ 3,342	\$ 83,541	3
4	IM	<u>\$ 36,551</u>	<u>708,284</u>	<u>0.05160</u>	<u>\$ 5,194</u>	<u>\$ 41,745</u>	<u>0.04768</u>	<u>\$ 33,771</u>	<u>\$ 75,516</u>	<u>\$ 3,146</u>	<u>\$ 78,662</u>	4
5	Totals	<u>\$ 775,008</u>	<u>25,045,484</u>	<u>0.03096</u>	<u>\$ 11,630</u>	<u>\$ 786,638</u>	<u>0.04768</u>	<u>\$ 1,194,169</u>	<u>\$ 1,980,807</u>	<u>\$ 82,534</u>	<u>\$ 2,063,341</u>	5
6	Rate Year Cost per NBC Schedule WEE-17										<u>\$ 2,284,630</u>	6
7	Adjustment to Schedule WEE-17											7
8	(Line 5 less Line 6)										<u>\$ (221,289)</u>	8

STATE OF RI DIVISION OF PUBLIC UTILITIES AND CARRIERS
Narragansett Bay Commission - RIPUC Docket Number 3483
Test Year (F/Y 2002) Itemized Electricity Delivery Cost by Location

Line No.	Location A	Customer Charge B	Distribution Charge C	Demand Charge D	Transm. Charge E	Transm. Adj. F	Transition Charge G	Conservation Charge H	HV Meter Discount I	HV Delivery Discount J	Total Delivery Cost Excl. RIGRT K Sum of A through J	kWh Used L	\$ Per kWh M K / L	Line No.
1	Fields Point	\$ 2,837	\$ 179,203	\$ 47,533	\$ 38,697	\$ 34,410	\$ 144,114	\$ 35,804	\$ (6,024)	\$ (11,274)	\$ 465,300	15,566,800	\$ 0.02989	1
2	Bucklin Point	2,846	86,693	23,075	18,786	16,891	69,745	17,305	(3,162)	(5,482)	226,697	7,524,000	\$ 0.03013	2
3	COB	753	11,820	4,423	3,772	505	6,269	1,582			29,124	727,691	\$ 0.04002	3
4	IM	5,194	35,842	1/							41,036	795,202	\$ 0.05160	4
5	Totals	<u>\$ 11,630</u>	<u>\$ 313,558</u>	<u>\$ 75,031</u>	<u>\$ 61,255</u>	<u>\$ 51,806</u>	<u>\$ 220,128</u>	<u>\$ 54,691</u>	<u>\$ (9,186)</u>	<u>\$ (16,756)</u>	<u>\$ 762,157</u>	<u>24,613,693</u>	<u>\$ 0.03096</u>	5

6 1/ Distribution Charge for location IM (Interceptor Maintenance) available in total, but not yet available in itemized format.

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